

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (CHFFA)

FUNDING SUMMARY

Applicant:	Kingsburg District Hospital (“KDH”)	Amount Requested:	Not to exceed \$206,000
Applicant Address:	1200 Smith Street Kingsburg, CA 93631 Fresno County	Resolution Number:	2008-15
Date Requested:	August 14, 2008	Loan Term:	No later than 45 days following the adoption of a 2008-2009 budget by the State of California

Background of Financing:	Many rural hospitals are facing unanticipated and staggering financial burdens associated with the current State budget impasse and delayed Medi-Cal reimbursements; hence, they are not receiving their regular Medi-Cal reimbursements. Consequently, KDH is seeking funding to bridge this financial gap in order to finance vital health services for its communities.
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Purpose:	Loan proceeds will be used to offset Medi-Cal reimbursements delays due to the State’s budget impasse.
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Financial Overview:	KDH has been in operation since 1962. KDH filed for Chapter 9 municipal bankruptcy proceedings in 2000, and is currently subject to a repayment plan until 2012. KDH closed its Emergency Room Operations in February 2008 due to its high costs of operation and its current strategy is to expand hours and offer more profitable services. Based on the most recent audited financial statements, KDH’s income statement appears to have improved its financial position in FY 2007. The balance sheet also appears to have improved in FY 2007 with an acceptable proforma debt service coverage of 1.44x. This financing is expected to help sustain KDH’s operations until the State budget is passed.
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Financing Structure:	<ul style="list-style-type: none">▪ The entire loan balance shall be repaid in full no later than 45 days following the adoption of a 2008-2009 budget by the State of California.▪ Loan proceeds are to be disbursed on an as-needed basis in a total amount not to exceed the hospital’s third-party-approved Medi-Cal claim.▪ Loan origination fee of 1.25% and 0% interest rate.▪ Lien on gross revenues.
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Due Diligence:	Due diligence of the following items has been completed or will be completed prior to closing: <ul style="list-style-type: none">▪ Religious Due Diligence▪ Legal Review▪ Community Service Obligation▪ CEQA/Seismic/Pass through (Not required)
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Staff Recommendation:	Staff recommends the Authority approve a Resolution in an amount not to exceed \$206,000 for Kingsburg District Hospital subject to financing terms acceptable to the Authority.
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Kingsburg District Hospital
Statements of Revenues, Expenses and Changes in Net Assets

	For the year ended June 30		
	2007	2006	2005
<u>Revenue</u>			
Net patient service revenue	\$ 6,710,783	\$ 5,951,567	\$ 7,254,824
Other operating revenue	22,604	32,103	14,836
District tax revenue	599,290	545,548	460,872
Investment income	12,435	5,669	1,877
Grants and contributions	9,064	30,612	93,130
Total revenues	7,354,176	6,565,499	7,825,539
<u>Expenses</u>			
Salaries and wages	3,092,684	2,996,688	3,214,657
Employee benefits	816,746	853,441	948,558
Professional fees	852,349	658,908	957,368
Supplies	657,416	842,044	628,460
Purchased services	804,090	616,000	692,481
Utilities	183,322	196,639	210,480
Building and equipment rent	96,619	102,463	69,971
Insurance	194,409	370,407	358,189
Depreciation and amortization	88,592	151,256	150,420
Other operating expenses	141,618	113,263	98,288
Interest expenses	141,682	151,999	175,348
Disproportionate share transfers	-	-	353,694
Total expenses	7,069,527	7,053,108	7,857,914
Change in net assets	284,649	(487,609)	(32,375)
Net assets at beginning of year	(2,826,599)	(3,239,670)	(3,207,295)
Extraordinary item	-	900,680	-
Net assets end of year	\$ (2,541,950)	\$ (2,826,599)	\$ (3,239,670)

**Kingsburg District Hospital
Statement of Net Assets**

	As of June 30,		
	2007	2006	2005
<u>Assets</u>			
Current assets:			
Cash and cash equivalent	\$ 1,871	\$ 206,835	\$ 4,350
Assets limited as to use for current obligation	82,398	245,296	214,002
Patient accounts receivable, net	989,678	721,464	1,463,561
Grant and other receivables	273,409	208,534	248,331
Inventories	33,028	36,058	38,401
Prepaid expenses and deposits	68,943	16,275	72,845
Total Current Assets	\$ 1,449,327	\$ 1,434,462	\$ 2,041,490
Capital assets, net	589,758	629,657	731,265
Bond issue costs, net	-	-	3,810
Total Assets	\$ 2,039,085	\$ 2,064,119	\$ 2,776,565
 <u>Liabilities & Net Assets</u>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,101,515	\$ 1,218,969	\$ 1,205,299
Accrued payroll and related liabilities	349,522	320,459	350,965
Current maturities of debt and claims	220,308	201,302	151,208
Total Current Liabilities	1,671,345	1,740,730	1,707,472
Estimated third-party payor settlements	1,323,804	1,343,794	2,301,267
Debt and claims - net of current portion	1,585,886	1,806,194	2,007,496
Total Liabilities	4,581,035	4,890,718	6,016,235
Net assets:			
Invested in capital assets, net	(937,426)	(872,287)	(1,149,331)
Restricted Net Assets	82,398	245,296	214,002
Unrestricted Net Assets	(1,686,922)	(2,199,608)	(2,304,341)
Total Net Assets	(2,541,950)	(2,826,599)	(3,239,670)
Total Liabilities & Net Assets	\$ 2,039,085	\$ 2,064,119	\$ 2,776,565

Financial Ratios:

**Proforma (a)
FYE June 30, 2007**

Debt Service Coverage (x)	1.44	1.50	(0.61)	0.89
Debt/Unrestricted Net Assets (x)	(1.11)	(1.07)	(0.91)	(0.94)
Margin (%)		3.87	(7.43)	0.41
Current Ratio (x)		0.87	0.82	1.20

(a) Recalculates 2007 audited results to include the impact of this proposed financing.